

We Have What You've Been Waiting For: Meaningful Workers Compensation Reform

By Lloyd Levine
Assemblymember, 40th District

I can't tell you how many times I have spoken to members of one of the Chambers of Commerce in my district over the past several months, and every time, I heard this steady drumbeat of voices telling me to bring down rates. Well, let me tell you, the drumbeat resonated in my ears to the point that I knew I must come up with something meaningful—the business community would accept nothing less.

On Friday, the Legislature passed a bill package that entirely restructures the Workers' Compensation System. The key reforms include streamlining medical care as well as providing incentives to businesses to get their employees back to work sooner rather than later. However, these reforms by themselves will not guarantee that rates will come down.

Unfortunately, Republican legislators blocked provisions that would have guaranteed that insurance companies pass their savings along to businesses. This is the crux of the problem—skyrocketing insurance premiums for businesses--and Republican legislators were unwilling to provide assurances that the insurance industry will pass along their savings. I was unwilling to agree to the “wait and see” approach they preferred and demanded that the burden of oppressive rates be addressed now. AB 16 X4, which I authored to resolve this, insures that savings created by these reforms will be passed on to businesses. In light of the estimated \$10-12 billion in savings created by these reforms, the bill states that if insurance companies fail to pass on their savings to businesses paying Workers' Comp premiums, the State Insurance Commissioner can mandate lower premium policy rates.

Last year, Democrats backed legislation that cut more than 20 percent from the costs of the Workers' Comp System, yet rates did not go down. Many businesses actually had premium increases. The business community was justifiably upset. With the system realizing substantial savings, while simultaneously rates paid to insurance companies remaining high, we need to ask where those bloated premiums were going. It's clear that there can be no true reform unless we hold insurance companies accountable.

Californians demanded reform as businesses large and small collapse from the skyrocketing costs of Worker's Comp Insurance. The Legislature has answered that call with meaningful reform. I'm convinced that the bipartisan reform package handed to the Governor on Friday delivers much needed reform, but without the Governor's signature on AB 16x4 to require that cost savings realized by insurance companies are passed on to businesses, we cannot be assured that the Workers Compensation System will truly work for both businesses and injured workers the way it was originally intended.